



WARNING

FRAUDULENT GROUP HEALTH PLANS

**What are they?
How to avoid them.
The 10 warning signs.**

IF IT SEEMS TOO GOOD TO BE TRUE...

Financial woes impacting small businesses and rising costs of health insurance premiums are bad enough...add to that, sham group health plans and it spells disaster. When faced with all of the above, phony group health coverage is attractive to the employer not only due to its low cost.... (sometimes as little as 1/3 of the going rate for health coverage), but also because of its comprehensive benefit plan. There is evidence of a growing trend countrywide of this type of fraud and numerous states have ongoing investigations into these health plans. While most of these have cropped up in southern and western states such as Florida, North and South Carolinas, Texas, Oklahoma and

California, the northeastern corridor has opened files on sham organizations. One 'insurer' took in over \$15,000,000 in premiums from 29,000 policyholders and left over \$6,500,000 in unpaid medical expenses. Some of these organizations will tell you that they are exempt due to federal ERISA laws. In early 2002, the U S Department of Labor had 76 civil and 14 criminal investigations underway. Some of these groups or associations, in addition to offering low cost, comprehensive coverage, do not require medical underwriting or questionnaires...all you have to do is join the group or association (in some cases a union) and then pay the premium. Some sham companies operate similarly to ponzi schemes, paying some claims initially until the whole scheme collapses, victimizing the policyholders.

HOW CAN YOU AVOID THIS TYPE OF FRAUD?

Ask tough questions...request copies of the organization's financial statements...demand references from other so-called insureds...is the company and salesperson licensed?...how many risks do they cover...how much have they collected in premium/paid in claims?...what happens if the plan becomes insolvent?.... There are legitimate companies out there and they would be pleased to answer any question you would pose.

THE WARNING SIGNS

(Courtesy of the Coalition Against Insurance Fraud)*

Watch for these warning signs of a possible swindle...

- 1. The coverage costs 25% or more below the norm, yet promises generous benefits and a large provider network.**
- 2. The plan readily accepts people with serious illnesses and other medical conditions that other plans normally reject.**
- 3. The insurance has few or no underwriting guidelines – the agent or rep appears almost too eager to sign you up.**
- 4. You're approached by an agent, phone or direct mail. Honest group plans normally are sponsored by your employer – and aren't sold directly to individuals.**

- 5. The plan isn't licensed in your state and the agent (falsely) assures you the federal ERISA law exempts the plan from state licensing.**
- 6. The plan seems like insurance, but the agent or rep avoids calling it "insurance" and instead uses evasive terms such as "benefits".**
- 7. The agent or rep does not have clear answers to your questions, seems ill informed, or avoids sharing information.**
- 8. You've never heard of that health plan – and no one else has either.**
- 9. You have to join an "association" or "union" to obtain the health coverage. But you get no voting rights, receive no bylaws or other material and aren't involved in the group's activities.**
- 10. Your hospital keeps calling you to complain that your health plan isn't paying your medical bills. Often the plan's rep keeps making flimsy excuses, or stops returning phone calls altogether.**

*The Coalition is a nonprofit organization of consumers, government agencies and insurers dedicated to combating all forms of insurance fraud through public information and advocacy. Contact: 202 393-7330.

FOR ASSISTANCE YOU CAN CALL:

**N H INSURANCE DEPARTMENT
INSURANCE FRAUD UNIT
56 OLD SUNCOOK RD
CONCORD N H 03301
1-800-852-3416**

OR

**U. S. DEPARTMENT OF LABOR
1-866-275-7922
1-617-565-9600 (BOSTON REGION)**